

SENATE BILL 47

By Green

AN ACT to amend Tennessee Code Annotated, Title 67,
Chapter 2, relative to taxation of income received
from stock dividends and interest on bonds.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 67-2-102, is amended by deleting the section in its entirety and by substituting instead the following:

(a)

(1) Except as otherwise provided in subdivision (a)(2) and in this chapter, an income tax in the amount of six percent (6%) per annum shall be levied and collected on incomes derived by way of dividends from stocks or by way of interest on bonds of each person, partnership, association, trust and corporation in this state who received, or to whom accrued, or to whom was credited during any year income from the sources enumerated in this section.

(2)

(A) Beginning in fiscal year 2014-2015 and subsequent fiscal years, on June 15 of any fiscal year in which state revenue growth exceeds three percent (3%) over the previous fiscal year, the commissioner of finance and administration, in consultation with the commissioner of revenue, shall certify the amount of the state tax revenue collected for the then current fiscal year and, notify the governor, speaker of the senate, speaker of the house of representatives, and state treasurer of such amount, including the amount of any surplus state tax revenue collected.

(B) In any fiscal year in which the commissioner of finance and administration certifies that state revenue growth exceeds three percent (3%) over the previous fiscal year under subdivision (a)(2)(A), the rate of tax upon income from stocks and bonds shall be adjusted by reducing the rate by one percent (1%) on January 1 for the following calendar year. The rate of taxation resulting from such one-percent reduction shall be the applicable rate for all subsequent calendar years and shall remain in effect until such time in subsequent calendar years when the growth formula specified in this subdivision (a)(2)(B) warrants a further reduction; provided, that at such time, the rate shall be adjusted by reducing the rate by a one-percent increment; except, that if the rate is reduced to three percent (3%) and in the event state revenue growth exceeds three percent (3%) over the previous fiscal year after such reduced rate becomes effective, then the subsequent reductions to the rate shall be three-fourths of one percent (0.75%).

(C) In lieu of the tax levied by subdivision (a)(1), for any taxpayer's tax year that begins during a calendar year in which a reduction to the rate is made pursuant to subdivision (a)(2)(B), or that begins during a calendar year in which a reduction is effective, an income tax at the reduced rate per annum published by the commissioner of revenue pursuant to subdivision (a)(2)(D) shall be levied and collected on incomes derived by way of dividends from stocks or by way of interest on bonds of each person, partnership, association, trust and corporation in the state who received, or to whom accrued, or to whom was credited during any year income from the sources enumerated in this section, except as otherwise provided in this chapter; provided, that no reductions

to the rate shall be made in any year in which state revenue growth does not exceed three percent (3%) growth over the previous fiscal year.

(D) By September 1 immediately following the certification made pursuant to subdivision (a)(2)(A), the commissioner of revenue shall publish the rate of taxation at which the income derived from stocks and dividends shall be taxed beginning on January 1 of the next calendar year. Each reduced rate shall remain in effect until the rate is again reduced pursuant to subdivision (a)(2)(B).

(b) As used in this section, "state revenue growth" means, for any fiscal year, the percentage increase in revenue derived from state taxes and collected by the state.

(c) The commissioner of revenue is authorized to promulgate rules as the department may deem necessary to effectuate the purposes of this section. All such rules shall be promulgated in accordance with the Uniform Administrative Procedures Act, compiled in title 4, chapter 5. Notwithstanding § 4-5-208 to the contrary, the department is authorized to promulgate emergency rules to implement this section.

(d) On January 1 of any calendar year in which the seventh qualifying reduction occurs, the rate is zero percent (0.0%) and, on and after such date, no tax shall be imposed pursuant to this section; provided, that this subsection shall not be construed to absolve any taxpayer of liability for any tax duly levied by this section during any taxpayer's tax year beginning prior to such date.

(e) The commissioner of revenue shall certify in writing to the executive secretary of the Tennessee code commission the date on which the rate of zero

percent (0.0%) becomes effective. This section is deleted on the next January 1 following such date.

SECTION 2. Tennessee Code Annotated, Section 67-2-119, is amended by deleting the section in its entirety and by substituting instead the following:

(a) The tax collected by the state under this chapter shall be levied at the tax rate provided in § 67-2-102(a)(1) or (a)(2), as applicable, according to the following schedule, and the tax revenue derived from the applicable percentage of the rate imposed shall be distributed to the general fund or local governments, or both, as follows:

<u>For tax years that begin</u>	<u>Tax Rate</u>	<u>Rate Distributed to General Fund</u>	<u>Rate Distributed to Local Governments</u>
Prior to a calendar year of First Qualifying Reduction	6%	3.75%	2.25%
During a calendar year of First Qualifying Reduction & subsequent calendar years prior to Second Qualifying Reduction	5%	2.75%	2.25%
During a calendar year of Second Qualifying Reduction & subsequent calendar years prior to Third Qualifying Reduction	4%	1.75%	2.25%
During a calendar year of Third Qualifying Reduction & subsequent calendar years prior to Fourth Qualifying Reduction	3%	0.75%	2.25%
During a calendar year of Fourth Qualifying Reduction & subsequent calendar years prior to Fifth Qualifying Reduction	2.25%	0.00%	2.25%
During a calendar year of Fifth Qualifying Reduction & subsequent calendar years prior to Sixth Qualifying Reduction	1.5%	0.00%	1.5%
During a calendar year of Sixth Qualifying Reduction & subsequent calendar			

years prior to Seventh Qualifying Reduction	.75%	0.00%	.75%
During a calendar year of Seventh Qualifying Reduction & subsequent calendar years	0.00%	0.00%	0.00%

(b) Of the taxes collected by the state under this chapter upon income from stocks and bonds taxable at the rate provided in subsection (a), after any deduction for necessary expenses for administration of this chapter pursuant to § 67-2-117, the following shall be distributed among municipalities and counties in accordance with subsection (d):

<u>For tax years that begin</u>	<u>Local Distribution</u>
Prior to a calendar year of First Qualifying Reduction	37.5%
During a calendar year of First Qualifying Reduction & subsequent calendar years prior to Second Qualifying Reduction	45.0%
During a calendar year of Second Qualifying Reduction & subsequent calendar years prior to Third Qualifying Reduction	56.25%
During a calendar year of Third Qualifying Reduction & subsequent calendar years prior to Fourth Qualifying Reduction	75.0%
During calendar years of Fourth, Fifth & Sixth Qualifying Reductions	100.0%

(c) After the distribution to municipalities and counties pursuant to subsection (b), any funds remaining shall be paid into the general fund of the state treasury.

(d)

(1) If a taxpayer residing within the corporate limits of any municipality pays a tax imposed by the state at the rate provided in subsection (a), then the

net tax collected from the taxpayer shall be returned to the municipality within which the taxpayer resides in the amount required to be distributed pursuant to subsection (b).

(2) If a taxpayer residing in a county, but outside the corporate limits of any municipality, pays a tax imposed by the state at the rate provided in subsection (a), then the net tax collected from the taxpayer shall be returned to the county within which the taxpayer resides in the amount required to be distributed pursuant to subsection (b).

(e) Any payment by the state to municipalities and counties covering collections made under this section during any fiscal year shall be made on or before July 31 immediately following the close of that year.

SECTION 3. This act shall take effect upon becoming a law, the public welfare requiring it.